

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Authority to Lease Available Land on the Barre-Villa Park and Lewis-Serrano Right of Way to RHC Communities, LLC.

Application 02-09-007
(Filed September 10, 2002)

**ADMINISTRATIVE LAW JUDGE'S RULING
REQUIRING APPLICANT TO PROVIDE
ADDITIONAL INFORMATION**

This Ruling directs Southern California Edison Company (SCE) to provide additional information in support of its application for authority to lease available land under Pub. Util. Code § 851¹ (Application). The response should address the specific questions set out below.

If the Application is approved, RHC Communities, LLC (RHC or Lessee) will construct and operate a self-storage, vehicle and boat storage facility. The SCE property consists of a 5-acre site located on a portion of SCE's Barre-Villa Park and Lewis-Serrano transmission right of way in the City of Orange (Site). The Site is part of the Barre-Villa Park and Lewis-Serrano 220 kilovolt system.

The Site is one of a number of sites subject to an Option to Lease Agreement (Option) between SCE and RHC dated September 6, 2001. Pursuant to the Option, RHC has the right, subject to Commission approval, to lease the

¹ All statutory references are to the Public Utilities Code unless noted otherwise.

Site from SCE for the described uses for a period of 65 years, beginning on the date RHC exercises the Option. Annual rent is as set out in the following table.

Base Rent:

Year 1	\$20,000
Year 2	\$70,000
Year 3	\$149,000
Year 4	\$230,000
Years 5 and following	\$230,000 + CPI increase not to exceed 3% annually.

Additional Rent:

At the end of each calendar year, starting in Year 1, RHC will pay as Additional Rent 20% of the excess of its calendar year gross revenues over the Base Rent paid during that year.

The Application is one of many similar applications to lease utility-owned real property that SCE either has submitted or indicated it will submit in the near future. As a lease of utility-owned real property, the proposed transaction falls squarely within the requirements of § 851. The Commission normally approves § 851 applications to lease available land after determining that the leases are not adverse to the public interest and the completed projects will comply with California Environmental Quality Act (CEQA).

The Application is different in two fundamental respects. First, it is part of a much larger transaction between SCE and the Lessee that includes a substantial option payment as well as proposed rents. Collectively, those transactions subject to the Option represent many millions of dollars of income to SCE and the ratepayers. The instant transaction alone will generate \$14.499 million in Base Rent, without regard to CPI adjustments and Additional Rent that could easily double or triple that number. Second, 65 years is a term of unusual duration,

especially when compared with the probable useful life of the storage buildings to be constructed. For these reasons, I believe the transaction warrants a closer look.

Accordingly, **IT IS RULED** that, on or before December 18, 2002, Southern California Edison Company shall supplement the Application with the following additional information:

1. The market analysis prepared by The Call Company.
2. The percentage of the Option payment that will be shared with the ratepayers. If none of the Option payment will be shared, an explanation of why it is not subject to sharing under the terms of the settlement approved in Decision 99-09-070.
3. The basis on which the Base Rent was determined to be fair and reasonable.
4. The basis on which the 3% cap on the annual CPI adjustment to the Base Rent was determined to be fair and reasonable.
5. The basis on which the Additional Rent was determined to be fair and reasonable.
6. The basis on which 65 years was determined to be a fair and reasonable term.
7. This ruling is effective immediately.

Dated November 18, 2002, at San Francisco, California.

/s/ KARL J. BEMESDERFER

Karl J. Bemesderfer
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Requiring Applicant to Provide Additional Information on all parties of record in this proceeding or their attorneys of record.

Dated November 18, 2002, at San Francisco, California.

/s/ KE HUANG

Ke Huang

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.